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Ten things you need to know about buying or selling a home

By Deborah K. Dietsch, Published: October 26

After staying put during the economic recession, you might be tempted by stabilizing real estate prices and low mortgage interest rates to sell your house and buy your next place. What you might not realize is how long and complicated the process of buying and selling a home has become. New lending regulations, appraisal procedures and consumer expectations can throw up roadblocks for even the most seasoned flipper. Many homeowners who haven't sold or bought a home in the past few years will find that many of the old "rules" have changed. Residential real estate experts suggest homeowners become aware of the new rules before listing their current property and searching for a new home.

1. A bigger down payment might be necessary.

Buyers seeking homes in upscale neighborhoods may have to come up with a higher down payment, since jumbo loans aren't available in the amounts that they used to be. "You used to be able to borrow up to \$729,750 in high-cost areas inside the Beltway, but now the maximum is \$625,500. If you exceed the limit for the area, your loan becomes nonconforming," said Catherine Smith of First Home Mortgage in McLean. "There are fewer sources for that money, and interest rates are higher."

Documentation of income and reserve funds is required of all loans, but the process is more stringent for securing a jumbo loan. "Lenders want to make sure the borrower can handle unexpected expenses, loss of income or other financial bumps in the road after closing," said Debbie Polcyn of First Savings Mortgage in Bethesda.

2. A buyer's market? Not entirely.

Home prices and mortgage rates are down, but buyers might not be in the catbird seat in some sought-after neighborhoods, where properties are worth almost what they were between 2005 and 2007. In August, median sales prices of houses in the District reached almost 88 percent of their peak value, prices in Northern Virginia rose to nearly 80 percent of their high and those in suburban Maryland climbed to nearly 67 percent, according to the [George Mason Center for Regional Analysis](#). But within each county and, indeed, each neighborhood, there can be a lot of variation.

“Inside the Beltway, it is somewhat balanced between a buyer's and a seller's market because there are fewer buyers out there and less inventory,” said agent Jamie Koppersmith of Century 21 Redwood Realty. When priced right, he said, homes can still attract multiple offers. Confirming this reality is agent Anslie Stokes Milligan of McEneaney Associates, who said she fielded seven offers earlier this month on a rowhouse near Dupont Circle.

3. Sellers, don't put off those remodeling projects.

Call it the “[HGTV](#) effect.” The proliferation of home improvement shows on cable television has increased buyers' expectations of finding homes in move-in-ready conditions. Except for do-it-yourselfers intentionally looking for a fixer-upper — with a lower price to match — buyers want older homes to look like new.

They now expect sellers to have renovated older kitchens and bathrooms, replaced windows and refinished floors. “There is intolerance among today's buyers for properties that haven't been updated appropriately,” said realtor Morgan Knull of ReMax Gateway. “Granite on countertops is no longer an upgrade — it's an entitlement.”

4. Home staging could be worth the extra cash.

“Besides new paint, staging is the best return on investment you can make,” said agent Rachel Valentino of Keller Williams. Particularly for vacant homes, she said, “It's difficult for most buyers to walk into an empty house and see how their furniture would be placed. You have to do the legwork for them.”

With so many buyers searching online for properties, well-decorated rooms with visual impact are critical to standing out from the crowd. “If the photos look depressing, buyers may never walk inside the front door,” said Knull. Staging, he adds, is most valuable in properties with small or unusual spaces.

Professional stagers both rearrange owners' furniture and redecorate from scratch, but their services don't come cheap. A two-hour consultation with staging advice typically costs \$200 to \$300, and outfitting the main rooms with rented furnishings can cost \$5,000 or more. “The national average to stage a vacant house is about 1 percent of the asking price,” said Monica Murphy, owner of Preferred Staging in Potomac Falls, Va.

5. Appraisals might not match price expectations.

The days of cherry-picking a friendly appraiser to assess a property within 24 hours are over. In 2009, a practice known as the [Home Valuation Code of Conduct](#) went into effect to ensure that homes are appraised fairly, without the influence of lenders and third parties. The policies are still in place for conforming mortgages sold to Fannie Mae and Freddie Mac, and they have created unintended consequences for appraisals.

Now lenders often outsource the process to third-party appraisal management companies to avoid any conflict of interest. Since the appraisal fee is now shared between the management firm and the appraiser, the appraisal can cost more, with the higher price passed on to buyers and sellers. “Not only is the consumer paying more but getting lower quality,” said Ken Chitester, spokesman of the Chicago-based Appraisal Institute. “Top appraisers won’t do the job for less than they used to be paid, and often the selected appraisers are the least experienced professionals available.”

In some cases, appraisers might undervalue the property because they are unfamiliar with the community in which the house is located. Realtor Kimberly Cestari of W.C. & A.N. Miller found one of her listings in Chevy Chase was appraised at \$100,000 less than the sales price because it was a rambler in a neighborhood full of colonials. “I found a rambler of similar value in [the nearby neighborhood of] Forest Hills and the appraisal went up. It was a nail-biter,” Cestari said. “The onus is now on the listing agent to provide the appraiser with relevant comparables to show them how we arrived at the price.”

The seller can also help prove the value of the home. “Provide the appraiser with a list of repairs and upgrades to the home over the past four to five years,” said Frank John of Washington Appraisal.

More layers of administration and quality control between lenders and appraisers mean the appraisal process takes longer. “Generally, it takes seven to 10 days,” said McEneaney Associates’ Milligan. “Some lenders require two appraisals for some FHA and jumbo loans.”

6. Start saving your financial records to show the bank.

Lenders now require more documentation than ever to be convinced of financial qualifications. “We have to validate everything,” said Smith of First Home Mortgage. Her advice to a potential buyer? “Become a paper hound. Come prepared with two years of tax returns and two years of bank statements for all assets. Be ready to defend your credit.”

Buyers need a credit score of at least 620, the minimum accepted by Fannie Mae, and many lenders require higher scores. “In general, the lower your credit score, the higher the interest rate will be on the loan,” said Polcyn of First Savings Mortgage.

7. Prepare to spend more time securing a loan.

What used to take two weeks can now take 30 to 60 days, according to several lenders. “The absolute number one reason that the loan process has lengthened is because of compliance with federal regulations,” said Polcyn. She also cites increased loan documentation requirements, more intensive underwriting and quality control processes such as fraud checks as contributors to the wait.

Meeting with a loan officer before you start looking for a house can help pave the way to more financing options and a smoother deal. “Get an accurate snapshot of interest rates and monthly payments before you start shopping,” said Valentino.

8. The home inspection is back with a vengeance.

Waiving the inspection was one way to beat the competition during the go-go market of 2005-07. Now buyers view the top-to-bottom assessment of a home as essential to making sure their investments are sound. Some even see the inspection as an opportunity to get renovations done at the seller’s expense. “People are asking for more and more on the home inspections,” said Cestari. “Buyers are becoming pickier. I’ve had them request the sellers paint the trim, replace the gutters, line chimneys.”

To avoid a second price negotiation over fixes, some agents recommend that sellers pay for their own inspection before putting the house on the market and making the report part of the disclosure package. "I encourage the owner to service the heating and cooling system, and get chimney and termite inspections," said Milligan. "Those are three big-ticket items that buyers bring up frequently."

9. Sell or rent before buying or be willing to pay two mortgages.

Selling one house and buying another used to happen in quick succession, without the need to rent temporary quarters and move a household twice. Buyers who wanted to purchase a home before selling their existing residence often made the contract contingent on the future sale. Or they opted for a bridge loan as a stopgap measure to finance their next purchase before selling.

But as the real estate market has slowed and lending regulations have tightened, both these options have been kicked to the curb. As a result, sellers can be left scrambling to find a place to live after closing.

Renting a furnished apartment for the transitional period in between selling and buying is an option but an expensive one. Oakwood, a temporary housing company with more than 60 properties in the D.C. area, charges \$193 to \$209 per day for a two-bedroom apartment in the metro area. Another company specializing in transitional apartments, Turnkey Housing Solutions, charges about \$145 per night for a similar unit. ExecuStay Marriott, a division of the hotel chain, works with more than 54 apartment communities in the metro area to offer two-bedroom units averaging \$199 per night in the District and \$135 per night in suburban Maryland and Virginia. Added to those prices are a 14.5 percent sales tax in the District for a stay of less than 90 days and a 10.5 percent tax in Maryland and Virginia for stays of less than 30 days.

To avoid these high costs, Koppersmith suggests that sellers rent their property back from the buyers for a month or two. "This allows the seller to close on the home they are selling, get the proceeds and then quickly put a contract on another home and settle that property as fast as possible," he said. "Assuming the seller feels confident they can find a home they would like to purchase, this is a pretty good strategy for bridging the gap."

10. Pick a real estate agent willing to do the homework, because buying and selling take more effort these days.

Buyers and sellers should insist their agents do more than show listings and run open houses. Today, savvy buyers are well-versed in online tools such as [Redfin](#) and [Zillow](#), and they look up a lot of listings data themselves. Buyers should make sure their broker is well versed in the latest lending and appraisal practices and able to navigate around potential land mines that could detonate the deal. "There are so many things that can go wrong with a transaction, even when the buyer and seller are organized and well-qualified," said Knull. "These days, there seem to be more problems than in the past with buying and selling, and everything takes longer to do."

Knull said agents should be expected to supply appraisers with detailed information about relevant comparables and market trends and to resolve title issues, especially with foreclosures involving complicated chains of ownership.

Realtors should also be expected to understand short sale transactions and be willing to keep tabs on the buyer even after the contract is signed.

“When an offer comes in, you can’t just assume the buyer will get the loan,” said Koppersmith. “We need to look at the financials they provide as well as talk to their lender to make sure they are qualified and will be able to close the transaction. The last thing you want for your seller is to have the property under contract for a month or more, only to have it come back on the market because the loan wasn’t approved.”

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